



FACT SHEET

U.S.-Korea Free Trade Agreement **South Dakota Farmers Will Benefit**

September 2008

The United States concluded free trade negotiations with Korea on April 1, 2007. The U.S.-Korea Free Trade Agreement (KORUS FTA) is the most commercially significant free trade agreement the United States has negotiated in nearly 20 years.

The KORUS FTA provides immediate elimination of duties on more than 60 percent of current U.S. exports and gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of South Dakota's agricultural products, including beef, feed grains, and soybeans. South Dakota's agricultural exports to all countries, estimated at \$1.2 billion in 2006, supported about 13,700 jobs, on and off the farm. These export sales make an important contribution to the South Dakota farm economy, which had total cash receipts of \$4.7 billion in 2006.

Beef. With cash receipts of \$1.9 billion in 2006, or 40 percent of the state's agricultural total, South Dakota's cattle and calf industry will benefit from this FTA.

- For beef muscle meats, the FTA provides a 15-year straight-line tariff phase out with a safeguard that begins growing from 270,000 tons, a quantity that is 17 percent larger than our largest historical shipments.
- Technical consultations continue toward the goal of allowing imports to take place consistent with World Organization for Animal Health (OIE) guidelines.
- Following the May 2007 decision by the OIE classifying the United States as a controlled-risk country, Korea has announced that it will undertake in a timely manner its regulatory process toward expansion of market access for beef and beef products.

Feed Grains. Cash receipts from corn for feed totaled \$731 million in 2006, or 16 percent of farm earnings for the state. South Dakota feed grain farmers will benefit from this agreement.

- U.S. exports of corn for feed are guaranteed will be duty-free immediately. Korea is currently the fourth largest market for U.S. corn for feed.
- The FTA includes a new 93,774-ton duty-free quota for corn for processing that grows quickly to 393,849 tons by year 7, after which quantities will be unrestricted.

Soybeans and Products. For South Dakota, soybeans are the third largest source of farm cash receipts at \$696 million, and the industry is the nation's eighth largest exporter of soybeans and products. South Dakota soybean producers will benefit from this agreement.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent tariff on food-use soybeans.
- Korea will establish a duty-free quota starting at 10,000 tons for identity-preserved soybeans for food use (the production of soybean curd). This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors. (For comparison, based on trade data, Korea's average 2006 import price for soybeans used for food was \$330 per ton. This markup brings the price for imported quality beans to \$580.)
- Korean tariffs on imports of crude soybean oil (the majority of Korea's soybean oil imports) will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Wheat. South Dakota's wheat producers generated cash receipts of \$397 million in 2006. As the nation's fifth largest exporter of wheat and wheat products, South Dakota wheat producers will benefit from this agreement.

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or its autonomous tariff-rate quota (TRQ) of 1 percent.
- Although this tariff differential may be small, it provides a small tariff advantage when competing against Canada and Australia.

For questions about the U.S.-Korea Free Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs Office at (202)720-7115 or LPA@fas.usda.gov.

For detailed information on how the Agreement benefits specific commodities, please visit:

<http://www.fas.usda.gov/info/factsheets/Korea/us-koreaftafactsheets.asp>